

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 L-03 H-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /095 W
-----029612 261704Z /53

R 261621Z SEP 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1749
DEPARTMENT TREASURY
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY ROME
AMEMBASSY BERN
AMEMBASSY TOKYO
USMISSION NATO
CINC USAFE RAMSTEIN
CINC USAREUR HEIDELBERG
CINC EUR VAIHINGEN

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USOECN ALSO FOR EMBASSY, USEEC

DEPARTMENT PASS FRB AND CEA

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: EMBASSY 1977 GERMAN GNP PROJECTION

REF: BONN 12896

A. SUMMARY

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1. THE EMBASSY SUBMITS THE FOLLOWING REVISED GNP
PROJECTION:

TABLE I
ESTIMATED 1977 GROWTH OF GERMAN GNP
(PERCENTAGE CHANGES OVER 1976, 1970 PRICES)

PRIVATE CONSUMPTION	3.4
PUBLIC CONSUMPTION	1.7
FIXED INVESTMENT IN EQUIPMENT	4.6
CONSTRUCTION	3.7
INVENTORIES (1)	MINUS 0.3
NET FOREIGN BALANCE (1)	PLUS 0.3

GNP	3.1
-----	-----

4TH QUARTER 1977 OVER	
4TH QUARTER 1976	3.2

(1) SWING AS A PERCENTAGE OF 1976 GNP. IN
ABSOLUTE AMOUNTS WE PROJECT 1977 INVENTORIES
(I.E., NOT THE SWING FROM 1976) AT PLUS
DM 6.9 BILLION (AT 1970 PRICES) AND THE
NET FOREIGN BALANCE AT PLUS DM 27.4 BILLION
(AT 1970 PRICES).

END SUMMARY

2. OUR REVISED PROJECTION INCORPORATES THE BUNDESBANK
PRELIMINARY DATA NOW AVAILABLE FOR THE FIRST HALF
(SEE BONN 15798) WHICH IS VERY SLIGHTLY HIGHER IN
OVERALL AMOUNT THAN WE HAD ANTICIPATED AND ALSO SHIFTS
THE GROWTH EMPHASIS SOMEWHAT BETWEEN COMPONENTS. WE
HAVE ON THE OTHER HAND SOMEWHAT REDUCED OUR PROJECTION
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FOR THE SECOND HALF BECAUSE NO CLEAR UPSWING IS AS
YET IN SIGHT AND THE VERY OPTIMISTIC 4TH QUARTER
GROWTH RATE OF 9.2 PERCENT (SAAR) NO LONGER SEEMS
REACHABLE. NEVERTHELESS WE BELIEVE THE SECOND HALF
WILL SHOW ALMOST THE SAME GROWTH AS THE FIRST HALF.
THE SECOND HALF WILL BE AIDED BY MORE WORKING DAYS
AND THE ADDED CONSUMER SPENDING IN ANTICIPATION OF
THE VALUE-ADDED TAX INCREASE ON JANUARY 1, 1978 AND
THE INCREASED CHRISTMAS TAX EXEMPTION. WE DO NOT
ANTICIPATE THAT OTHER PARTS OF THE NEW STIMULATIVE
PACKAGE WILL HAVE MUCH EFFECT IN 1977 AND IN PARTICULAR
NO LONGER FORESEE ANY PICK UP IN PRIVATE INVESTMENT
IN MACHINERY AND EQUIPMENT DURING THE SECOND HALF.
SPENDING BY PUBLIC BODIES, WHICH HAS BEEN
DISAPPOINTINGLY SLOW DURING THE FIRST HALF, ON THE
OTHER HAND OUGHT TO PICK UP SUBSTANTIALLY.

3. ON THE ABOVE BASIS WE NOW EXPECT THE THIRD
QUARTER TO SHOW A GROWTH RATE OF ABOUT 3.6 PERCENT
(SAAR) AND THE FOURTH QUARTER OF MAYBE 6.4 PERCENT
(SAAR) WHICH WOULD YIELD THE FOLLOWING RESULTS FOR
THE SECOND HALF AS A WHOLE:

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FM AMEMBASSY BONN
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TABLE II

ESTIMATED GROWTH OF GERMAN GNP DURING 2ND HALF 1977
(S.A.A.R. PERCENTAGE CHANGE OVER 1ST HALF
OF 1977, AT 1970 PRICES, SEASONALLY - BUT
NOT WORKING DAY - ADJUSTED)

PRIVATE CONSUMPTION	4.9
PUBLIC CONSUMPTION	4.8
FIXED INVESTMENT IN	

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EQUIPMENT	PLUS OR MINUS 0.0
CONSTRUCTION	PLUS 6.4
INVENTORIES (1)	MINUS 0.7
NET FOREIGN BALANCE (1)	
	PLUS OR MINUS 0.0

GNP	3.1

(1) SWING AS A PERCENTAGE OF GNP DURING
THE FIRST HALF.

4. TABLE II BREAKS DOWN INTO THE FOLLOWING PROJECTION
FOR THE 3RD AND 4TH QUARTERS OF 1977.

TABLE III
ESTIMATED GROWTH OF GERMAN GNP, SEASONALLY -
BUT NOT CALENDAR DAY - ADJUSTED IN
DM BILLIONS AT 1970 PRICES (AT NON-ANNUAL RATES)

	1977	
	3RD QU	4TH QU
PRIVATE CONSUMPTION	113.9	116.0
PUBLIC CONSUMPTION	31.1	36.8
FIXED INVESTMENT IN EQUIPMENT	18.1	18.4
CONSTRUCTION (PUBLIC AND PRIVATE)	27.1	27.7
INVENTORIES	PLUS 1.1	PLUS 1.0
NET FOREIGN BALANCE	PLUS 7.0	PLUS 6.7

GNP	203.3	206.6

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Disposition Approved on Date:
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